

FISCAL NOTE

Bill #: SB0273

Title: Montana graduate employment incentives

Primary Sponsor: Corey Stapleton

Status: As Introduced - Amended

Sponsor signature	Date	Chuck Swysgood, Budget Director	Date
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Fiscal Summary

	<u>FY2002 Difference</u>	<u>FY2003 Difference</u>
Expenditures:		
General Fund	\$0	\$38,236
Revenue:		
General Fund	\$0	\$0
Net Impact on General Fund Balance:	\$0	(\$38,236)

<u>Yes</u>	<u>No</u>		<u>Yes</u>	<u>No</u>	
	X	Significant Local Gov. Impact	X		Technical Concerns
	X	Included in the Executive Budget	X		Significant Long-Term Impacts
	X	Dedicated Revenue Form Attached	X		Family Impact Form Attached

Fiscal Analysis

ASSUMPTIONS:

1. This bill provides for a one-time payment of \$1,000 to any individual who a) received a first bachelor's degree from a Montana university or college after June 30, 2001 and earned at least half the credits for that degree at a Montana university or college, b) has worked twenty-four months without interruption, in Montana, at least 35 hours per week, for the same employer, earning at least \$8 per hour, and c) was hired by this employer within three years after graduation.
3. This bill also provides a credit against individual or corporate income tax for qualified employers of \$1,000 for each of the taxpayer's employees who a) received a first bachelor's degree from a Montana

university or college after June 30, 2001 and earned at least half the credits for that degree at a Montana university or college, b) has worked twenty-four months without interruption, in Montana, at least 35 hours per week, for this taxpayer, earning at least \$8 per hour, and c) was hired by the taxpayer within three years after graduation.

4. No employees would be eligible for incentives before the end of the biennium. No employers would be able to claim credits before the end of the biennium.
5. This bill would require the department to add lines to the individual income tax and corporate tax forms and to modify its computer systems to process this information. The department also would be required to develop the incentive application forms required by section 3 and develop a system for processing them. The cost would be \$38,236 in FY 2003.

FISCAL IMPACT:

	<u>FY2002</u> <u>Difference</u>	<u>FY2003</u> <u>Difference</u>
Department of Revenue, Program 06		
<u>Expenditures:</u>		
Operating Expenses	0	36,528
Equipment	0	<u>1,709</u>
TOTAL	0	\$38,236
<u>Revenues:</u>		
General Fund (01)	0	0
<u>Net Impact to Fund Balance (Revenue minus Expenditure):</u>		
General Fund (01)	0	(\$38,236)

LONG-RANGE IMPACTS:

1. Colleges and universities in Montana granted 4,752 bachelor's degrees in fiscal 1997 (US Department of Education). The number of new graduates who would be eligible for incentives under this bill will be about 4,500 per year if five percent of bachelor's degrees are second degrees or are granted to students who earned less than half of their credits in Montana.
2. Half of Montana bachelor's degree graduates take jobs in the state. (Office of Commissioner of Higher Education).
3. Private, for-profit businesses account for 74 percent of employment in Montana (Department of Labor and Industries) and 75 percent of recent college graduates stay with an employer for twenty-four months (Department of Revenue, based on information from US Bureau of Labor Statistics).
4. Beginning in FY 2004, 1,688 individuals per year would be eligible for the incentive (4,500 graduates per year x 50 percent take jobs in Montana x 75 percent stay with an employer twenty-four months) and employers would be eligible for 1,249 credits (1,688 employees x 74 percent work for for-profit businesses). Total incentives would be \$1,688,000, and total credits would be \$1,249,000.
5. Incentive recipients would pay income tax on incentives at an effective marginal rate of 3.2%. The tax paid on incentives would be \$54,000 (3.2% of \$1,688,000).

6. The net reduction in general fund balance each fiscal year would be \$2,883,000 ($\$1,688,000 + \$1,249,000 - \$54,000$).

TECHNICAL NOTES:

1. The bill does not specify whether the incentive payments are taxable. Since it is not specified, the fiscal note assumes that they are.